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Court Appointed Receiver
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9 **UNITED STATES DISTRICT COURT**
10 **CENTRAL DISTRICT OF CALIFORNIA**

11 In re

12 EAGAN AVENATTI, LLP

13 Debtor
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Case No. 8:18-CV-01644-VAP-KES

**RECEIVER'S THIRD INTERIM
REPORT**

Date: No Hearing Required
Time:
Place:

Pursuant to the Joint Stipulation between Judgment Debtor Eagan Avenatti, LLP (“EA”) and Michael Avenatti (“Avenatti”) and Judgment Creditor Jason Frank Law, on February 13, 2019, I (Brian Weiss) was appointed as the Receiver of EA (the “Appointment Order”) [Docket No. 53]. This is my report for the period ended May 31, 2019.

The purpose of this report is to provide:

- A narrative of material events;
- A financial report;
- An accounting of the income and expenses incurred in the administration of EA, including the Receiver’s fees and expenses.

Efforts by the Receiver to Identify, Quantify and Recover Assets and Material Events

- EA’s existing Litigation cases – identify, filing of notices/liens, transition, obstacles from Avenatti;
- Moved to replace EA and Avenatti as class counsel in *Bahamas Surgery Center, LLC v. Kimberly Clark, et al.* A second set of attorneys (Messrs. William C. Hearon and Ahmed Ibrahim) who had worked on this case with Avenatti and supported by Avenatti also filed an application to replace EA and Avenatti as class counsel (because the case currently is on appeal in the Ninth Circuit). The Hearon and Ibrahim motion for an indicative ruling appointing them as new lead case counsel in the place of EA and Avenatti was approved by District Judge Dolly M. Gee on May 23, 2019. EA has the right to assert a *quantum meruit* claim for attorney’s fees in the case and I intend to assert that claim at the appropriate time;
- I have performed extensive analyses of EA banking transactions and identified approximately fifty parties that may have received fraudulent transfers. Landau Gottfried & Berger LLP (“LGB”) has begun sending demand letters to the recipients of fraudulent transfer claims under applicable State laws to recover such transfers and also is in the process of answering questions of and requesting

1 information from those recipients regarding the transfers. Those communications
2 are continuing;

3 • I consulted with LGB concerning the resolution of potential claims against
4 the receivership estate. During May, 2019, LGB was able to resolve litigation with
5 a landlord in which Avenatti asserted that EA had rights to occupy office space that
6 the landlord was seeking to recover. That resolution resulted in my agreeing that
7 EA did not claim possessory right in the space and the landlord dismissed its claim
8 for possession and damages against EA. In another matter, after consultation with
9 LGB, I was able to obtain the dismissal of a motion to compel filed by former co-
10 counsel with EA based on Avenatti's failure on EA's behalf to respond to long
11 outstanding discovery in a case in which the former co-counsel and EA sued each
12 other;

13 • I also worked with LGB to resolve the estate's claim relating to a Honda jet
14 indirectly owned by Avenatti and a third-party which has been seized by the IRS to
15 pay taxes claimed as owed by Avenatti. EA had used its funds to pay part of the
16 purchase price of the jet and, for that reason, my counsel and I believe the estate has
17 a right to recover that sum upon the sale of the jet. Discussions regarding the sale
18 of the jet and the resolution of competing claims against the anticipated sale
19 proceeds by various parties, including the IRS, are continuing.

20 • Based on my assessment, as of the date of this report, and subject to further
21 investigation, the key assets potentially available for recovery include:

- 22 • Recoveries from active client cases, most of which are contingency-
23 based;
- 24 • Artwork and office furniture, which may be subject to an enforceable
25 Asset Purchase Agreement by which X-Law Group purportedly
26 purchased those assets from EA. Certain of the assets also may be
27 subject to a Superior Court Order and a Marital Dissolution Agreement
28 between Avenatti and his former spouse, Lisa Storie-Avenatti;

- EA funds used to purchase an interest in the Honda jet owned by Passport 420 (an entity in which Avenatti claims an ownership interest).

- In June 2019, I plan to file a motion to authorize the sale of these assets, as well as art work held in another storage facility (Avenatti's former spouse (Lisa Storie-Avenatti) claims an ownership interest in at least some of the art work).

Financial Report

As of May 31, 2019, I am holding pursuant to the Appointment Order \$2,000 in cash. As of the date the Appointment Order, EA did not have cash in its bank accounts.

Summary of EA's Monthly Income and Expenses

From the date of the Appointment Order through May 31, 2019, the EA receivership estate has incurred no operating costs. The professional fees incurred during this time period include the following:

Professional	Fees & Costs Incurred	Fees Paid	Total Fees Due
Receiver & Force Ten Partners, LLC	May 2019 \$13,156.80 See Exhibit A	\$0	\$125,882.18
Landau Gottfried & Berger LLP	May 2019 \$66,799.47	\$0	\$216,122.27

As described in this report, I am continuing to carry out my court-ordered duties and my efforts are ongoing. I will report all material developments in future reports.

This report contains information that is subject to my continuous review, and

1 every effort will be made to advise the recipients of any significant changes or
2 corrections.

3 I hereby declare that this report is accurate to the best of my knowledge.

4 Executed at Newport Beach, California on June 14, 2019.

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